

Bankruptcy in Palm Springs: Unsecured vs. Secured Debt

By: Robert L. Firth

<http://palmspringsestateplanningandbankruptcyattorney.com/>

.....

Filing a [bankruptcy](#) case is a big decision. If you are feeling overwhelmed by your financial situation, the idea of [discharging debt](#) should be appealing. When you file a bankruptcy case, your debt is classified as priority, secured, and unsecured. Priority debt is debt that is given priority under the law (like certain taxes). The remainder of your debt is either secured or unsecured debt.

[Secured debts](#) are loans where the debtor has pledged an asset as collateral to the lender. The most common examples are a mortgage on your home or a security interest in your vehicle. Under these types of loan transactions, the lender has the right to foreclose or seize the asset if the borrower defaults on the loan payments. The creditor also has the right to auction or resell the asset to payoff (all or a portion of) the defaulted loan.

In a Chapter 7 bankruptcy case, the debtor must remain current on his loan obligations, surrender the property to the lender, or reaffirm the debt under new contract terms (called a “reaffirmation agreement”). In a Chapter 13 bankruptcy case, the debtor may be allowed to keep the asset if he provides for payment to the lender through his plan of reorganization.

[Unsecured debts](#) are the majority of a debtor’s bills. Credit card debt is the most common type of unsecured debt. In a Chapter 7 case, the majority of unsecured debt is eliminated (discharged). This means that when the debtor successfully completes his case, he is no longer liable to pay the discharged debt. In a Chapter 13 case, the debtor pays the unsecured creditors a percentage (0-100%) of what they are owed. It is common for unsecured creditors to receive little, if anything, under the Chapter 13 plan.

.....

About Robert L. Firth

At the law office of [Robert L. Firth](#) located in [Cathedral City, California](#), we are committed to providing quality legal representation to individuals and businesses facing difficult legal challenges. We believe in providing compassionate service at reasonable rates. If you need to speak with an attorney about bankruptcy, estate planning and probate, real estate tax deferred

exchanges, small business services or another important legal matter, contact the law office of Robert L. Firth at [760-699-2892](tel:760-699-2892).